

Message Text

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20

ORIGIN NEA-12

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 L-03 PA-03 PRS-01

USIA-12 /138 R

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APPROVED BY NEA: AHMEYER

NEA/ INS: DKUX

EB: RBUSHNELL (INFO)

COMMERCE: CMCLEMENT (INFO)

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R 242026 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMEMBASSY BONN

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 100153

E. O. 11652: GDS

TAGS: EGEN, IN

SUBJ: SUPERALLOY PLANT CONTRACT

REF: NEW DELHI 6078

1. DEPT. PASSED SUBSTANCE REFTEL TO WESTINGHOUSE, BLAIRSVILLE (MACDONALD), WITHOUT INDICATING SOURCE DROBOT' S INFORMATION. MACDONALD SAID THIS WOULD APPEAR TO CONFIRM INFORMATION HE HAD DIRECTLY FROM CREUSOT-LOIRE, WHICH TOLD HIM IN PARIS LAST WEEK THAT THEY CONFIDENT OF GETTING CONTRACT. WITH REFERENCE TO " HANDSHAKE DEAL" WHICH DROBOT SAYS GOI DEFENSE PRODUCTION SECRETARY SHETH GAVE WESTINGHOUSE, MACDONALD SAID THAT SHETH HAD GIVEN " HANDSHAKE" BUT HAD SIMULTANEOUSLY IN-CONFIDENTIAL

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DICATED THAT THE DEFENSE MINISTRY' S RECOMMENDATION WOULD REQUIRE CABINET APPROVAL. WESTINGHOUSE DOES NOT FEEL THAT THE DEAL HAD BEEN CONCLUDED OR THAT GOI TURN TO THE FRENCH REPRESENTS BREACH OF CONTRACT.

2. WESTINGHOUSE IS, HOWEVER, VERY CONCERNED ABOUT POSSIBLE IMPLICATIONS OF FAILURE SUPERALLOY PLANT DEAL FOR THEIR FUTURE BUSINESS IN INDIA. MACDONALD NOTED COMPANY HAD JUST COMPLETED EXTENSIVE STUDY OF INDIAN POWER MARKET, AND WAS ACTIVELY CONSIDERING SETTING UP A SPECIAL GROUP TO DEAL WITH INDIA. (WHITE AND MISHRA OF WESTINGHOUSE MET WITH DEPT. MAY 22 TO INDICATE CONSIDERABLE POTENTIAL FOR SALES IN INDIAN POWER MARKET.) IN CONTEXT THOSE CONSIDERATIONS, COMPANY CONCERNED THAT THEY MAY FACE EITHER (A) SPECIFIC BARRIERS AGAINST WESTINGHOUSE, RELATED TO PAST DEALS AND DROBOT' S PROBLEMS; OR (B) A " POLITICAL" BARRIER AGAINST US FIRMS IN GENERAL. MACDONALD SAID WESTINGHOUSE REMAINS CONVINCED THAT ITS PROPOSAL WAS SIGNIFICANTLY LESS COSTLY AND THAT NEITHER CREUSOT- LOIRE NOR KRUPP HAVE THE TECHNOLOGY TO DO THE COMPLETE JOB. WESTINGHOUSE INCLINED BELIEVE, THEREFORE, THAT NON- ECONOMIC FACTORS MAY HAVE INFLUENCED GOI DECISION, AS DROBOT STATES IN REFTEL.

3. WOULD APPRECIATE EMBASSY COMMENTS AND ASSESSMENT.
RUSH

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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